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Community Preservation Committee Funding Recommendation for NEWTON HOMEBUYER ASSISTANCE PROGRAM

date: 1 May 2015

from: Community Preservation Committee

to: The Honorable Board of Aldermen

PROJECT GOALS & ELIGIBILITY

This program provides assistance with down payments and closing costs to first-time buyers who are seeking a home in Newton and whose annual income is at or below 80 percent of the area median, in return for deed restrictions keeping the homes purchased permanently affordable to future buyers at that income level.

In 2013 the Board approved \$475,000 in additional funding for this program, along with higher subsidy limits and several other program changes. Unfortunately, rapidly rising prices have made it impossible for the 3 households selected by lottery in the fall of 2014 to find homes they can afford in Newton, even with the higher subsidies approved in 2013. The Planning Dept. is therefore requesting approval of further subsidy increases; authority to increase these limits by another 15% if needed; and an additional \$1,057,000 in funding. Together with previously appropriated funds, the new funds will allow the program to assist 6 households over 2 years if the new maximums are adequate; or 5 households if the 15% adjustment is needed.

The CPA eligibility of this program was established for the previous funding phases documented on the program's page of the CPC website, www.newtonma.gov/gov/planning/cpa/projects/homebuyer.asp.

RECOMMENDED FUNDING

On 9 April 2015, by a vote of 6-0 (members Feinberg, Kronish and Yeo absent), the Community Preservation Committee recommended appropriating the additional \$1,057,000 requested for this program, for the uses included in this summary budget:

Newton Homebuyer Assistance Program Fifth Phase of CPA Funding	Available Funds from Prior Appropriations as of 16 April 2015		2015 New CPA Request	Available Totals if 2015 request is approved	% of total	Average Proposed Subsidies
	pre-2013	2013				
Grants to first-time homebuyers	\$53,348	\$450,000	\$1,042,000	\$1,545,348	97.3%	per unit: \$257,558
Program mgmt. (staffing, advertising, etc.)	\$3,276	\$15,000	\$15,000	\$33,276	2.1%	
Rehabilitation (bring already subsidized units to current standards for resale)		\$10,000		\$10,000	0.6%	per bedroom: \$103,023
Totals	\$56,624	\$475,000	\$1,057,000	\$1,588,624	100.0%	

website www.newtonma.gov/cpa

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SPECIAL ISSUES CONSIDERED BY THE CPC

Program phasing: CPC members wondered whether the program might assist all 6 households in one year, to stay ahead of rising prices. The Planning staff explained that a limited number of units will both meet the required housing quality standards and be affordable, even with the new subsidy limits. It seemed best not to have all 6 assisted households competing simultaneously for that limited supply.

Unit size: To create the maximum number of affordable units, in the past the program has subsidized some 1-bedroom units, for 1-2 person households. These units have sometimes been challenging to resell. In response, the program now targets households needing homes with 2 or 3 bedrooms.

Homebuyers' contributions: This program aims to assist as many households as possible with its limited public funds, but also limits buyers' private financial contributions for several reasons: (a) so these moderate-income homeowners will still have financial resources for home maintenance, condominium fees, and other major needs such as health care, education, and retirement; (b) to avoid the additional public subsidy that might be needed at resale if no new income-eligible buyer could match the previous buyer's private contribution, which that buyer is entitled to recover; and (c) to allow listing of these units on the state's Subsidized Housing Inventory (SHI).

Non-CPA funding: The Planning Dept. relies on CPA funding for this program in part because CPA funds are flexible, allowing for low program management costs. Federal housing funds (CDBG and HOME) have more onerous requirements. The City also uses its federal funds in complementary ways, such as to serve lower-income households who are better candidates for rental housing than for homeownership.

Limited-equity homeownership: Owners who purchase subsidized, deed-restricted homes through this program benefit less from rising market prices than do the owners of unsubsidized homes. However, participants in this program do build equity in their homes, which they are entitled to recover at resale along with their down payment contributions. They also enjoy more housing security than they would as renters.

ADDITIONAL RECOMMENDATIONS (*funding conditions*)

1. Funds should be appropriated from the Community Preservation Fund's general fund balance and reserves to the Planning & Development Dept. and treated as 100% for community housing.
2. Up to 6 households should be assisted within 2 years after currently requested funds are appropriated by the Board of Aldermen, or by any extension of that deadline granted in writing by the CPC or its designee.
3. All units subsidized should be added to the state's Subsidized Housing Inventory (SHI).
4. The Planning & Development Department should submit its next funding request for this program early enough to avoid any interruption of the program, if that next request is funded.
5. CPC staff may approve Planning & Development Dept. requests to use funds budgeted for program management or rehabilitation for grants to homebuyers instead. Any requests to re-allocate grantable funds for other uses must be approved by the CPC itself.
6. Any CPA funds appropriated but not used for the purposes stated herein will be returned to the Newton Community Preservation Fund.

KEY OUTCOMES: The Community Preservation Committee will evaluate this project based on recommendations 2, 3 and 4 above.

ATTACHMENTS (delivered to the clerks of the Programs & Services Committee and Finance Committee)

- Proposal and attachments submitted to the CPC
- Slide presentation to the CPC on 9 April 2015
- Copy of the CPC's "Newton Homebuyer Assistance Program" project webpage, with links to additional information: www.newtonma.gov/gov/planning/cpa/projects/homebuyer.asp

The only written comments received on this proposal were from the League of Women Voters, which supported the request. These comments are available on the project webpage but are not attached to this recommendation.